

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Sparta Fire Department*  
*Kent County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2005*

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## INDEPENDENT AUDITORS' REPORT

Members of the Board  
Sparta Fire Department

We have audited the accompanying financial statements of the Sparta Fire Department as of March 31, 2005, and for the year then ended, as listed in the contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sparta Fire Department as of March 31, 2005, and the changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 8, the Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The budgetary comparison information, on pages 14 and 15, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Sparta Fire Department has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Siegfried Crandall P.C.*

August 4, 2005

## **BASIC FINANCIAL STATEMENTS**

**Sparta Fire Department**  
**STATEMENT OF NET ASSETS**  
March 31, 2005

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	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 183,948
Receivables (net)	3,297
Prepaid expenses	<u>36,000</u>
Total current assets	<u>223,245</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	<u>753,770</u>
Total assets	<u>977,015</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	6,651
Deferred revenue	36,000
Notes payable	<u>43,817</u>
Total current liabilities	<u>86,468</u>
Noncurrent liabilities:	
Notes payable	<u>65,021</u>
Total liabilities	<u>151,489</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	644,932
Unrestricted	<u>180,594</u>
Total net assets	<u>\$ 825,526</u>

See notes to financial statements

**Sparta Fire Department**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2005

		<b><u>Program revenues</u></b>	<b><u>Net (expenses) revenues and changes in net assets</u></b>
	<b><u>Expenses</u></b>	<b><u>Operating grants and contributions</u></b>	<b><u>Governmental activities</u></b>
<b>Functions/Programs</b>			
Governmental activities:			
Public safety	\$ 309,549	\$ 325,693	\$ 16,144
Interest on long-term debt	<u>7,664</u>	<u>-</u>	<u>(7,664)</u>
Total governmental activities	<u>\$ 317,213</u>	<u>\$ 325,693</u>	<u>8,480</u>
General revenues:			
Interest income			2,273
Other			<u>28,351</u>
Total general revenues			<u>30,624</u>
Change in net assets			39,104
Net assets - beginning			<u>786,422</u>
Net assets - ending			<u>\$ 825,526</u>

See notes to financial statements

**Sparta Fire Department**  
**BALANCE SHEET**  
March 31, 2005

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**ASSETS**

Cash	\$ 183,948
Receivables	3,297
Prepaid expenses	<u>36,000</u>
Total assets	<u>\$ 223,245</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Payables	\$ 6,651
Deferred revenue	<u>36,000</u>

Total liabilities	<u>42,651</u>
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Fund balance - unreserved:

Designated	107,763
Undesignated	<u>72,831</u>

Total fund balance	180,594
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Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the fund.	753,770
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Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(108,838)</u>
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Net assets of <i>governmental activities</i>	<u>\$ 825,526</u>
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See notes to financial statements



**Sparta Fire Department****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE***Year ended March 31, 2005***REVENUES**

Contributions from participating units	\$ 325,693
Interest	2,273
Other	<u>28,351</u>
Total revenues	<u>356,317</u>

**EXPENDITURES**

Public safety	233,273
Capital outlay	58,462
Debt service:	
Principal	40,206
Interest	<u>7,664</u>
Total expenditures	<u>339,605</u>

**EXCESS OF REVENUES OVER EXPENDITURES** 16,712

**OTHER FINANCING SOURCES**

Loan proceeds	<u>42,954</u>
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**NET CHANGE IN FUND BALANCE** 59,666

**FUND BALANCE - BEGINNING** 120,928

**FUND BALANCE - ENDING** \$ 180,594

Net change in fund balance (above) \$ 59,666

Amounts reported for in the statement of activities are different because:

## Capital assets:

Assets acquired	45,658
Provision for depreciation	(63,472)

## Long-term debt:

Proceeds from issuance of debt	(42,954)
Principal repayment	<u>40,206</u>

Change in net assets (page 6) \$ 39,104

*See notes to financial statements*

**Sparta Fire Department**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Sparta Fire Department (the Department), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The Department is a joint venture consisting of the Village of Sparta and the Township of Sparta. Costs of operations and capital expenditures are supported by contributions from the Village, which contributes one-third and the Township, which contributes two-thirds of the Department's proposed budget. In addition, a township-wide mileage is made available to the Department.

The accompanying financial statements present only the Department. There are no component units or entities for which the Department is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Department.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Interest and other revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Department.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Department has elected not to follow subsequent private-sector standards.

**Sparta Fire Department**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) *Measurement focus, basis of accounting, and financial statement presentation:(continued)*

Amounts reported as program revenues include: (1) charges to customers for services provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - No allowance for uncollectible accounts has been recorded as the Department considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment and vehicles	5 - 20 years

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - The annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the Board is the function level.

*Excess of expenditures over appropriations* - During the year ended March 31, 2005, the Department incurred expenditures that were significantly in excess of the amount appropriated.

<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Capital outlay	\$ 25,000	\$ 58,462	\$ 33,462
Debt service - principal	17,000	40,206	23,206
Debt service - interest	-	7,664	7,664

**Sparta Fire Department**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

Deposits are carried at cost and are maintained at a financial institution in the name of the Department. State statutes and the Department's investment policy authorize the Department to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Department's deposits are in accordance with statutory authority. At March 31, 2005, the Department has deposits with a carrying amount of \$183,948 and a bank balance of \$209,434. Of the bank balance, \$100,000 is covered by federal depository insurance and \$109,434 is uninsured.

**NOTE 4 - RECEIVABLES:**

Receivables, as of year end, consist of contributions due from a local governmental unit, in the amount of \$3,297. The receivables are considered fully collectible.

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2005, was as follows:

	<i><u>Beginning balance</u></i>	<i><u>Increases</u></i>	<i><u>Decreases</u></i>	<i><u>Ending balance</u></i>
Capital assets being depreciated:				
Buildings and improvements	\$ 224,588	\$ -	\$ -	\$ 224,588
Equipment	220,200	45,658	-	265,858
Vehicles	942,000	-	-	942,000
Subtotal	<u>1,386,788</u>	<u>45,658</u>	<u>-</u>	<u>1,432,446</u>
Less accumulated depreciation for:				
Buildings and improvements	82,604	4,492	-	87,096
Equipment	136,100	12,980	-	149,080
Vehicles	396,500	46,000	-	442,500
Subtotal	<u>615,204</u>	<u>63,472</u>	<u>-</u>	<u>678,676</u>
Total capital assets (net)	<u>\$ 771,584</u>	<u>\$ (17,814)</u>	<u>\$ -</u>	<u>\$ 753,770</u>

Depreciation expense, in the amount of \$63,472, was charged to the public safety function of the Department.

**Sparta Fire Department**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - NONCURRENT LIABILITIES:**

At March 31, 2005, noncurrent liabilities are comprised of the following individual issues:

Installment purchase agreement notes payable:

\$200,000 2000 bank note due in annual installments of \$40,000 and one final payment of \$36,325, plus interest at 5.95%; final payment due May 2006 \$ 36,325

\$42,954 2004 bank note due in monthly installments of \$787, including interest at 3.79%; final payment due May 2009 72,513

Total noncurrent liabilities \$ 108,838

Noncurrent liability activity for the year ended March 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
2000 bank note	\$ 106,090	\$ -	\$ (33,577)	\$ 72,513	\$ 35,609
2004 bank note	<u>-</u>	<u>42,954</u>	<u>(6,629)</u>	<u>36,325</u>	<u>8,208</u>
Total noncurrent liabilities	<u>\$ 106,090</u>	<u>\$ 42,954</u>	<u>\$ (40,206)</u>	<u>\$ 108,838</u>	<u>\$ 43,817</u>

At March 31, 2005, debt service requirements were as follows:

<i>Year ended March 31:</i>	<i>Principal</i>	<i>Interest</i>
2006	\$ 43,817	\$ 3,435
2007	45,420	3,120
2008	8,844	592
2009	9,190	249
2010	<u>1,567</u>	<u>8</u>
Totals	<u>\$ 108,838</u>	<u>\$ 7,404</u>

**Sparta Fire Department**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - RISK MANAGEMENT:**

The Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Department has purchased commercial insurance for each of these claims up to \$5,000,000 and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 8 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective April 1, 2004, the Department implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets, as previously reported	\$ 120,928
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	771,584
Noncurrent liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(106,090)</u>
Net assets, as restated	<u>\$ 786,422</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Sparta Fire Department**  
**BUDGETARY COMPARISON SCHEDULE**  
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Local unit contributions:				
Township of Sparta	\$ 183,000	\$ 183,000	\$ 183,000	\$ -
Village of Sparta	91,500	91,500	91,500	-
Township-wide millage	-	47,000	51,193	4,193
Interest	500	500	2,273	1,773
Other	500	500	28,351	27,851
	<u>275,500</u>	<u>322,500</u>	<u>356,317</u>	<u>33,817</u>
Total revenues				
<b>EXPENDITURES</b>				
Public safety:				
Salaries and wages	119,000	119,000	119,988	(988)
Payroll taxes	8,950	8,950	9,179	(229)
Employee insurance	6,100	6,100	5,746	354
Office supplies	1,550	1,550	2,192	(642)
Operating supplies	22,500	22,500	26,902	(4,402)
Repairs and maintenance	25,000	25,000	12,907	12,093
Contracted services	7,000	7,000	10,995	(3,995)
Insurance	15,500	15,500	12,356	3,144
Education and training	10,500	10,500	12,921	(2,421)
Physicals	2,250	2,250	1,029	1,221
Fuel	2,300	2,300	3,032	(732)
Dues	1,500	1,500	2,159	(659)
Telephone	2,800	2,800	3,054	(254)
Utilities	7,800	7,800	10,634	(2,834)
Uniforms			-	-
Miscellaneous	250	250	179	71
	<u>233,000</u>	<u>233,000</u>	<u>233,273</u>	<u>(273)</u>
Total public safety				
Capital outlay	25,000	25,000	58,462	(33,462)
Debt service:				
Principal	17,000	17,000	40,206	(23,206)
Interest	-	-	7,664	(7,664)
	<u>17,000</u>	<u>17,000</u>	<u>47,870</u>	<u>(30,870)</u>
Total debt service				
Total expenditures	<u>275,000</u>	<u>275,000</u>	<u>339,605</u>	<u>(64,605)</u>



**Sparta Fire Department**  
**BUDGETARY COMPARISON SCHEDULE (Continued)**  
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	\$ 500	\$ 47,500	\$ 16,712	\$ (30,788)
<b>OTHER FINANCING SOURCES</b>				
Loan proceeds	<u>-</u>	<u>-</u>	<u>42,954</u>	<u>42,954</u>
<b>NET CHANGE IN FUND BALANCE</b>	500	47,500	59,666	12,166
<b>FUND BALANCE - BEGINNING</b>	<u>120,928</u>	<u>120,928</u>	<u>120,928</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 121,428</u>	<u>\$ 168,428</u>	<u>\$ 180,594</u>	<u>\$ 12,166</u>

August 20, 2005

Members of the Board  
Sparta Fire Department

In planning and performing our audit of the financial statements of the Sparta Fire Department for the year ended March 31, 2005, we considered the Department's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 4, 2005, on the financial statements of the Sparta Fire Department.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Department management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

*Siegfried Crandall P.C.*

## **COMMENTS AND RECOMMENDATIONS**

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### ***Noncompliance with internal purchasing policy:***

The requirements of the Department's purchasing policy were not met on numerous occasions. Our testing of the Department's cash disbursements detected the following:

- Written "purchase requests" were seldom used
- Some disbursements lacked proper documentation
- Certain disbursements lacked evidence of proper authorization
- Competitive bids were not obtained for several purchases over \$1,500

Compliance with the Department's purchasing policy is essential to safeguard the Department's assets. The Finance Committee should ensure that all purchasing policy requirements are met for each disbursement.

### ***Lawful expenditures:***

The Department incurred certain expenditures that may not have been in compliance with state statutes governing lawful expenditures.

We recommend that the Department consult with legal counsel prior to incurring expenditures that are not specifically allowed by state statutes. We have enclosed a document entitled "Determining Lawful Expenditures" that we obtained from the website of the Department of Treasury. Please note the restrictive nature of the authority granted to local units of government. Legal expenditures consist of those specifically granted by the Michigan Constitution and applicable statutes. In other words, a transaction that is not specifically authorized cannot be legally executed.

### ***Excessive expenditure reimbursements:***

Department disbursements included an excessive number of reimbursements to employees. The reimbursements included amounts paid for sales tax and charges to employees' personal credit cards.

We recommend that the Department establish accounts with vendors in order to eliminate or minimize reimbursements to employees. The Department incurs unnecessary costs when it pays for sales tax from which it is exempt. More importantly, expenditure reimbursements for which an employee may be receiving a personal benefit could be construed as private inurement. Private inurement is the use of a tax-exempt organization for the private gain of an individual and is prohibited by in Internal Revenue Code.

### ***Finance charges for late payments:***

The Department incurred finance charges and late fees due to late payments on the Department's credit card.

We recommend the timely payment of all bills in order to avoid these unnecessary costs.

## **COMMENTS AND RECOMMENDATIONS (Continued)**

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### ***Appropriate check signers:***

The Department's purchasing policy requires checks to be signed by two specified people. The Department's contracted accountants sign the Department's checks.

We recommend that the Department's checks be signed by those with the authority to approve them. This could be performed efficiently by the two Board members responsible for reviewing each invoice before payment.

### ***Expenditure classification errors:***

Certain expenditures were posted to the wrong accounts. The errors usually occurred because the supporting documentation was insufficient to allow the accountant to determine the appropriate expenditure account.

We recommend that the Chief assign account numbers to the purchase requests, at the time they are authorized, in order to improve the classification of expenditures and, thereby, the Department's internal reporting.

### ***Internal financial reporting:***

We recommend that the Department evaluate its current procedures to adequately report and monitor financial information. The Department should also establish a process for reviewing the detail records, on a monthly basis, to facilitate investigation of any errors in a timely manner. The Finance Committee could be responsible for the regular review of scheduled reports. We recommend a monthly review of the following reports:

- Trial balance
- Statement of activities that includes all revenues and expenditures and allows a comparison of the budgeted and actual amounts
- Bank reconciliation, along with bank statements
- Payroll journals, with supporting documentation of hours

### ***Budgeting:***

The Department violated P.A. 621 of 1978 by incurring expenditures in excess of amounts appropriated.

We recommend that the Department improve its procedures related to the monitoring of its budgetary compliance and amend the budget in a timely manner, when necessary. Appropriate management personnel should be involved in the budget development and monitoring processes to create a more meaningful management tool. Plausible explanations of significant variances should be obtained in a timely manner.